

Message Text

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ORIGIN EB-08

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DRAFTED BY EB/IFD/OMA:BGCROWE
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SUBJECT: KOREAN WAR DEBTS

REFTEL: BOGOTA 6474

1. THE FOLLOWING IS AN EXCERPT FROM ASSISTANT SECRETARY
HORMATS JANUARY 23 TESTIMONY REGARDING COLOMBIAN DEBT
ARREARAGES TO THE USG. COMPLETE TEXT OF HORMATS TESTIMONY
HAS BEEN POUCHED.

2. "IN THE VAST MAJORITY OF CASES, DEBTS OWED TO THE
UNITED STATES SINCE THE SECOND WORLD WAR HAVE, IN FACT,
BEEN PAID ON TIME. REPAYMENTS, INCLUDING INTEREST, ON
LONG-TERM CREDITS EXTENDED SINCE 1940 NOW EXCEED \$45
BILLION. AS OF SEPTEMBER 30, 1977, PRINCIPAL AND INTEREST
DUE AND UNPAID 90 DAYS OR MORE TOTALED \$591 MILLION. I
NOTE, MR, CHAIRMAN, THAT IN SPITE OF THE DIFFICULT
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FINANCIAL SITUATION FACED BY MANY DEBTOR COUNTRIES, THE
LEVEL OF OUTSTANDING ARREARAGES REFLECTS AN IMPROVEMENT
OVER THE \$652 MILLION FIGURE DISCUSSED WITH YOU AT YOUR
SUBCOMMITTEE'S LAST HEARING ON THIS SUBJECT TWO YEARS AGO.
WHILE THIS REFLECTS PRIMARILY THE SERIOUSNESS FOREIGN
GOVERNMENTS ATTACH TO HONORING AGREED OBLIGATIONS, IT ALSO
REFLECTS THE IMPORTANCE AND HIGH PRIORITY GIVEN TO DEBT

COLLECTION EFFORTS BY THE UNITED STATES GOVERNMENT.

WHILE DEBTOR COUNTRIES WORLDWIDE HAVE A GENERALLY GOOD RECORD IN MAINTAINING THEIR DEBT SERVICING PAYMENTS TO THE UNITED STATES, I ASSURE YOU THAT WE WILL CONTINUE TO PRESS FOR IMPROVED RESULTS. IT IS IMPORTANT TO RECOGNIZE, HOWEVER, THAT A LARGE PORTION OF CURRENT DELINQUENCIES RELATE TO A FEW UNIQUE SITUATIONS WHERE CIRCUMSTANCES CURRENTLY IMPEDE OUR ABILITY TO COLLECT. FOR EXAMPLE, APPROXIMATELY 70 PERCENT OF CURRENT ARREARAGES RELATE TO KOREA CONFLICT LOGISTICAL SUPPORT CLAIMS AND DEBT OWED BY CHINA, CUBA, THE KNMER REPUBLIC AND VIETNAM.

ARREARAGES RELATING TO LOGISTICAL SUPPORT PROVIDED BY THE UNITED STATES TO OTHER NATIONS DURING THE KOREAN CONFLICT TOTAL \$200 MILLION. THEY AROSE BECAUSE, WHILE WE CONCLUDED FORMAL AGREEMENTS FOR REPAYMENT OF SUCH ASSISTANCE WITH 14 COUNTRIES, THE VALIDITY OF THE CLAIMS OF SIX COUNTRIES (COLUMBIA, ETHIOPIA, GREECE, THE PHILIPPINES, THAILAND AND TURKEY) CANNOT BE CLEARLY ESTABLISHED. THE HISTORY OF THESE CLAIMS IS COMPLEX, AND WE ARE ABOUT TO BEGIN CONSULTATIONS WITH CONGRESS REGARDING THE INITIATION OF LEGISLATION WHICH WOULD REMOVE THE CLAIMS FROM THE CATEGORY OF OUTSTANDING DEBT. THIS COURSE OF ACTION CONFORMS FULLY TO A 1976 RECOMMENDATION

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OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS." VANCE

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